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LUMBER AND BUILDING MATERIAL CHAINS

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LUMBER AND BUILDING MATERIAL CHAINS

INTRODUCTION

This report on the operations of building material chains is one of a series presenting detailed analyses of the activities of chain organizations operating in Canada during 1930. The figures contained in this report were obtained in connection with the Census of Merchandising and Service Establishments, which formed part of the Seventh Decennial Census of Canada, and they cover the trading operations of these chains during 1930.

In a number of important respects, lumber and building material chains differ markedly from those dealing in other lines of merchandise. The ordinary chain is a more or less recent development, more than 50 per cent of all chain units having been opened since 1926. Most chain units are located in Ontario and Quebec, and in each province the greatest volume of chain business is done in the largest centres of population. On the other hand, some lumber and building material chains have been in operation for twenty-five years or more, and approximately 75 per cent of all chain lumber yards were in operation prior to 1926. These chains are confined almost exclusively to the Prairie Provinces, and in each province most of the yards are located in places of less than 1,000 population.

There were 46 different chain companies selling lumber and building materials in Canada in 1930. These companies operated a total of 1,035 yards and had total retail sales during the year of \$18,597,431. Stocks on hand at the end of the year (at cost) amounted to \$6,297,084. The 1,035 yards required the services of 1,463 full-time male employees and 75 full-time female employees, who received a total of \$2,288,153 in salaries and wages. There were also 321 part-time male employees and 14 part-time female employees who received \$91,154.

There were 31 chains with total sales of \$13,084,694 which reported their credit business. Credit sales of these chains amounted to \$9,596,306, or 73.34 per cent of their total sales volume. The remaining 15 chains having total sales of \$5,512,737 failed to report their credit activities.

Chains Defined

For this Census, a group of four establishments or more under the same ownership and management, and carrying on the same or similar kinds of business, has been classified as a chain. Groups of two or three establishments owned and operated by one proprietor or firm have been classified as two- or three-unit multiples - not as chains - and are reported under these headings in the provincial retail reports. Chains have been classified as local, provincial, sectional and national, depending upon the extent of territory in which their branches are located. Local chains are situated entirely, or almost so, within the same town or city. Provincial chains have all their branches confined to one province. The units of sectional chains are spread over two or three provinces, while national chains have branches in four provinces or more. There were no organizations of the type analyzed in this bulletin which were national in extent.

Age and Geographic Distribution of Units

As already mentioned, lumber and building material chains have been in existence for a considerable length of time in Canada when compared with the ages of chain organizations carrying other lines of merchandise. From Table II(b), it is seen that 57 new branches, or 5.6 per cent of the total number, were opened during 1930. During the four preceding years, 1926-1929, new branches to the number of 205, or 20 per cent of the total number, were opened, while 763 units, or 74.4 per cent of all lumber and building material chain yards, were in operation prior to 1926.

When analyzed geographically, it is found that 622 of the 1,035 yards were located in Saskatchewan, 301 in Alberta, and 86 in Manitoba. Only a small number of units were operated in British Columbia, Ontario and Quebec, and there were no units located in the Maritime Provinces.

Geographic Distribution of Sales, and Sales by Size of Locality

The total sales of all chain lumber and building material companies amounted to \$18,597,431. Of this amount, sales in Saskatchewan were \$9,496,296, or 51.06 per cent. Chain sales in Alberta were \$5,275,333, or 28.37 per cent of the total, and in Manitoba, \$2,057,652, or 11.06 per cent. When analyzed according to size of locality, it is found that 891 of the 1,035 yards were located in places of less than 1,000 population. These units had retail sales of \$11,154,734, or approximately 60 per cent of the total chain sales. Units and sales by size of locality for all provinces combined are shown in Table IV.

Operating Expenses

Total operating expenses for all lumber and building material chains (including payroll) amounted to 23.25 per cent of net sales. This is exclusive, of course, of cost of goods for resale, nor does it include return on invested capital. Payroll amounted to 12.79 per cent of net sales, and other operating expenses amounted to 10.46 per cent.

Chain operating expenses are analyzed in Table V. The chains are classified, first, according to type of operation, then according to number of units operated, then by total sales volume, and, finally, according to average sales per yard. The lowest operating expense ratio, 19.80 per cent of net sales, was obtained by a group of 17 chains, each having average annual sales per yard of over \$20,000. The highest expense ratio, 28.85 per cent of net sales, was obtained by a group of 5 small chains, each having a total sales volume of less than \$100,000.

Middle Range Figures

The expense figures for lumber and building material chains, already stated and shown in Table 5, were obtained by totalling the expense data given for all the chains and expressing this amount as a percentage of the total sales of the same companies. It will thus be seen that these expense figures are weighted averages where a large chain has been given more weight in determining the ratio for the group than a smaller organization. In Table VI, average operating figures are given where each chain has been given the same weight irrespective of its size. The method of obtaining the figures in this table will be explained.

The total operating expense of each chain (including wage cost and other operating expenses) was expressed as a percentage of its total sales. The set of total operating expense percentages thus obtained was then arranged in an array from smallest to largest. This array was divided into three ranges: the lower range, consisting of the first quarter of the figures and therefore including the smallest operating ratios; the upper range, consisting of the last quarter of the figures and therefore including the highest operating ratios; and the middle range, containing the remaining half of the figures. The average of the middle range was then found. In this way the extremely low and high figures, due to more or less exceptional circumstances, were omitted, and the remaining chains were given equal weight in determining an average operating expense figure. Using this method, it is seen from Table VI that the average operating expense ratio for lumber and building material chains was 21.96 per cent of net sales as compared with 23.25 per cent as found by the former method. Two other figures are given for total operating expenses under the headings "Lower Limit of Middle Range" and "Upper Limit of Middle Range". These are the two figures at either end of the middle range and serve to divide the array of operating expense ratios into three sections. The lower limit of the middle range for total operating expense is seen from Table VI to be 17.55 per cent. The upper limit of the middle range is seen to be 26.43 per cent. That is to say, one-quarter of the chains had a total operating expense ratio of less than 17.55 per cent, one-quarter had a total operating expense ratio of more than 26.43 per cent, while one-half of all the chains analyzed in this bulletin had expense ratios lying between these two figures and centering around 21.96 per cent.

The other figures given in this table were obtained in a similar manner to that explained for total operating expense. In order to obtain each of the items, it was necessary to arrange the data for these chains in a different array, and neither all the high nor all the low figures would be common to the same companies. Therefore the figures in any one column cannot be related to other figures in the same column, nor can the different expense items be added to obtain the total operating expense ratio shown. It is thought, however, that, considering each item independently, these middle range figures give a fair indication of lumber and building material chain operating results.

Commodity Sales

Lumber and building materials constitute 75.88 per cent of the total sale of all lumber and building material chains. Fuel amounts to another 20.33 per cent while miscellaneous merchandise, including hardware, makes up the remaining 3.8 per cent. Each of these main divisions is further analyzed in Table VII, which is based upon a commodity coverage of 84.1 per cent of the total sales of all these chains.

Table I.

LUMBER AND BUILDING MATERIAL CHAINS

Summary of Lumber and Building Material Chains

Number of chains	46
Number of yards	1,035
Net sales, 1930	\$ 18,597,431
Stocks on hand, end of year (at cost)	\$ 6,297,084
Full-time employees --	
Male	1,463
Female	75
Salaries	\$ 2,288,153
Part-time employees --	
Male	321
Female	14
Salaries	\$ 91,154
Total payroll reported	\$ 2,379,307
All other expenses, including rent	\$ 1,945,517
Total operating expenses - per cent to net sales	23.25
Number of chains reporting credit sales	31
Total net sales of such chains	\$ 13,084,694
Net credit sales reported	\$ 9,596,306
Ratio of credit sales to total sales of these chains ..	73.34
Number of chains which did not report their credit activities	15
Total net sales of such chains	\$ 5,512,737

Table II(a).

Chain Units Classified by Geographic Location and Date of Establishment

Geographic Division	Total units	Per cent of total units	Date of Establishment of Units				Before 1926	Units whose ages cannot be classified
			1930	1929	1928	1927	1926	
Canada, all divisions	1,035	100.00	57	71	64	47	23	763
British Columbia	8	.77	-	8	-	-	-	-
Alberta	301	29.08	26	17	20	23	17	198
Saskatchewan	622	60.10	19	31	24	21	4	514
Manitoba	86	8.31	9	11	18	-	2	46
Ontario	17	1.64	3	4	2	2	-	5
Quebec	1	.10	-	-	-	1	-	-
New Brunswick	-	-	-	-	-	-	-	-
Nova Scotia	-	-	-	-	-	-	-	-
Prince Edward Island	-	-	-	-	-	-	-	-

Table II(b).

Chain Units Classified by Date of Establishment and Size of Chain

	Total units		Units in chains of -				
	Number	Per cent of total	More than 25 units		11-25 units		Less than 6 units
			25 units	6-10 units	11-25 units	6-10 units	
Total, all units	1,035	.....	625	73	298	73	39
Less units which cannot be classified as to age	10	.....	8	-	1	-	1
Units classified as to age	1,025	100.00	617	73	297	73	38
All units established -							
1930	57	5.56	24	-	29	-	4
1929	71	6.93	28	4	26	4	13
1928	64	6.24	20	8	34	8	2
1927	47	4.59	11	4	28	4	4
1926	23	2.24	8	2	12	2	1
Before 1926	763	74.44	526	55	168	55	14

Table III.

LUMBER AND BUILDING MATERIAL CHAINS

Units and Sales, by Provinces

	Units	Sales \$	Per cent of total chain sales
Canada, total	1,035	18,597,431	100.00
British Columbia	8	(X)	(X)
Alberta	301	5,275,333	28.37
Saskatchewan	622	9,496,296	51.06
Manitoba	86	2,057,652	11.06
Ontario	17	1,318,850	7.09
Quebec	1	(X)	(X)

An (X) indicates that figures are withheld to avoid disclosing individual operations, but these are included in the totals.

Table IV.

Units and Sales, by Size of Locality

Size of Locality	Units	Sales \$	Per cent of total chain sales
All Places, total	1,035	18,597,431	100.00
Population -			
Over 100,000	10	986,337	5.31
30,000 - 100,000	11	1,572,412	8.45
10,000 - 30,000	10	825,855	4.44
1,000 - 10,000	113	4,058,093	21.82
Under 1,000	891	11,154,734	59.98

Table V.

LUMBER AND BUILDING MATERIAL CHAINS

Chain Operating Expenses

A. Chains Classified by Type of Operation.

	Number of chains	Number of units	Net sales (1930)	Average sales per unit	Per cent of units opened in 1930	Operating Expenses				
						Total expenses	Per \$100 sales	Payroll	Per \$100 sales	Other operating expenses, including rent
Total, all chains	46	1,035	18,597,431	17,969	5.51	4,324,824	23.25	2,379,307	12.79	1,945,517
Local chains	2	8	10,431,397	19,814	6.05	2,251,875	21.48	1,294,900	12.35	956,975
Provincial chains	32	521								
Sectional chains	12	506	8,116,034	16,040	4.94	2,072,949	25.54	1,084,407	13.36	988,542

B. Chains Classified by Number of Units Operated.

			\$	\$	\$	\$	\$	\$	\$	\$
Total, all chains	46	1,035	18,597,431	17,969	5.51	4,324,824	23.25	2,379,307	12.79	1,945,517
Chains having -										
Over 25 units ...	10	625	10,009,768	16,016	3.84	2,513,957	25.11	1,373,727	13.72	1,140,230
11 - 25 units ...	17	298	4,912,215	16,484	9.73	1,060,888	20.99	603,702	12.29	427,186
6 - 10 units	10	73	1,238,511	16,966	-	284,396	22.96	172,431	13.92	111,965
Less than 6 units	9	39	2,436,937	62,486	10.26	495,583	20.34	229,447	9.42	266,136

Table V (Continued). LUMBER AND BUILDING MATERIAL CHAINS

Chain Operating Expenses

C. Chains Classified by Total Sales Volume.

	Number of chains	Number of units	Net sales (1930)	Average sales per unit	Per cent of units opened in 1930	Operating Expenses				
						Total expenses	Per \$100 sales	Payroll	Per \$100 sales	Other operating expenses, including rent
			\$	\$		\$		\$		\$
Total, all chains..	46	1,035	18,597,431	17,969	5.51	4,324,824	23.25	2,379,307	12.79	1,945,517
Chains whose total sales are -										
Over \$500,000	10	585	10,256,498	17,532	4.27	2,548,304	24.85	1,351,502	13.18	1,196,802
\$250,000 - \$500,000	14	263	4,963,281	18,872	3.04	1,067,643	21.51	613,425	12.36	454,218
\$100,000 - \$250,000	17	159	3,080,135	19,372	15.09	623,041	20.23	365,052	11.85	257,989
Less than \$100,000.	5	28	297,517	10,626	-	85,836	28.85	49,328	16.58	36,508

D. Chains Classified According to Average Sales per Unit.

			\$	\$	5.51	\$	\$	23.25	2,379,307	12.79	\$	10.46
Total, all chains..	46	1,035	18,597,431	17,969	5.51	4,324,824	23.25	2,379,307	12.79	1,945,517	10.46	
Chains whose average sales per unit are -												
Over \$20,000	17	182	5,960,429	32,750	6.59	1,179,954	19.80	613,092	10.29	566,862	9.51	
\$15,000 - \$20,000 .	15	566	9,338,501	16,499	4.06	2,331,041	24.96	1,270,082	13.60	1,060,959	11.36	
Less than \$15,000 .	14	287	3,298,501	11,493	7.67	813,829	24.67	496,133	15.04	317,696	9.63	

Table VI.

LUMBER AND BUILDING MATERIAL CHAINS

Middle Range Figures

	Lower Limit of Middle Range	Common Figure	Upper Limit of Middle Range
Total number of units	6	14	24
Total sales volume of chain	\$ 179,864	\$ 279,732	\$ 469,448
Average sales per unit	\$ 14,017	\$ 17,696	\$ 24,194
Payroll cost per \$100 sales	9.31	11.90	15.30
Other operating expenses	6.69	9.10	12.11
Total operating expense per \$100 sales	17.55	21.96	26.43
Average yearly salary per full-time employee	\$ 1,310	\$ 1,441	\$ 1,646
Number of employees per \$100,000 sales	6.99	8.16	9.89

Since each item in this table was obtained independently, the figures in any one column cannot be related to each other. Nor can the individual expense items be added to obtain the total expense ratios shown. For explanations on the method of obtaining these figures, see introduction.

Table VII.

LUMBER AND BUILDING MATERIAL CHAINS

Sales by Commodities

Total Sales, All Chains	\$ 18,597,431
Less amount which cannot be broken down into commodities	\$ 2,956,331
Sales further analyzed	\$ 15,641,100
	<u>Per cent</u>
Commodity	100.00
Building materials, total	75.88
Brick, terra cotta, tile, etc.	1.35
Building stone .....	.70
Crushed stone .....	.04
Cement	4.99
Lime, plaster, etc.	1.48
Lumber, rough, dressed and finished	49.47
Planing mill products - woodwork	6.88
Wood shingles and shakes	3.73
Roofing materials (except wood shingles and shakes)	1.05
Iron and other metal building materials .....	.12
Building paper, wood base insulating boards, hardwood boards, etc.	1.42
Wallboards (except wood baseboards)	2.44
All other building materials	2.21
Fuel, total	20.32
Coal	19.58
Wood, coke and other fuels .....	.74
Hardware, total	2.66
Builders' and shelf hardware	2.22
All other hardware .....	.44
Heating and plumbing equipment and supplies .....	.08
Paints, varnishes, lacquers and glass .....	.24
Miscellaneous .....	.82



